



**City of  
Matlosana**

**City of Matlosana**

**Annual Financial Statements  
for the year ended 30 June 2010**

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Mayoral committee</b>	
Executive Mayor	O.M . Mogale ( Chairperson )
Councillors	Clr G.L. Sebuasengwe Clr M.J. Mapane Clr K.G. Tladi Clr N.E. Ngalo Clr P.R. Moleme Clr R.A. Marumole Clr P. Seduku Clr J. Douw Clr L.M. Kortjas Clr P. Moeng
<b>Accounting Officer</b>	S.G. Mabuda ( Acting )
<b>Chief Finance Officer (CFO)</b>	R.T. Makgale ( Acting CFO )
<b>Business address</b>	Bram Fischer Street Klerksdorp 2571
<b>Postal address</b>	P.O. Box 99 Klerksdorp 2570
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor General

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities

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MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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## Declaration of the accounting officer

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I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 56, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

\_\_\_\_\_  
**S.G. Mabuda**  
**Municipal Manager ( Acting )**

**31 August 2010**  
**Date**

### REGISTERED OFFICE:

Bram Fisher Street  
KLERKSDORP  
2570

P O Box 99  
KLERKSDORP  
2570

Telephone no.	(018) 406 8300
Fax	(018) 464 2318

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Financial report

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I have pleasure in presenting my financial report together with the Annual Financial Statements, which are still subject to audit, for the year ended 30 June 2010.

### 1. INTRODUCTION

As the Finance Unit we continue striving for our vision to implement and practice sound financial management in a prudent way to achieve a long-term financial stability for the City of Matlosana. This is a difficult and complex task as indicated by our mission statement that require us to provide financial planning, accounting, financial reporting, budgeting, revenue and debt collection management, expenditure management, cash and investment management, capital projects financing, fixed assets accounting, risk management, financial information and support services to other departments and general public with courtesy, integrity and accountability.

The Integrated Development Plan (IDP) of the City of Matlosana has financial stability as one of the six strategic pillars. This important focus area also has numerous objectives and performance indicators for prudent financial management and viability, as well as the strategies to achieve them. Although confronted with numerous challenges in this environment, we continued to make progress during the year under review.

Ongoing strategies to improve financial management include; budget reform, the implementation of improved asset registers which and generally bringing accounting systems in line with General Accepted Accounting Practices (GAAP), relevant standards of General Recognized Accounting Practices (GRAP) as well as applicable International Financial Reporting Standards (IFRS). Considerable progress has been made during the year with these complex matters.

During the past financial year and going forward we remain committed to the following basic principles that will contribute to achievement of financial stability for the City of Matlosana.

- To manage financial matters effectively
- Ensure client orientation and customer focus
- Implement an Anti-corruption strategy in terms of national strategy for the municipality
- Develop financial management policies and by-laws
- Ensure that revenue is maximally collected and debtors accounts are effectively managed
- Report and assist with managing the effective usage of bulk electricity purchases by council
- Reduce the number of disclaimer items in audit reports
- Tabling of Budget and Adjustment Budget before council for approval on time, as well as the Medium Term Income and Expenditure Framework [MTEF]
- Submit reports to the relevant regulatory and governance offices on time
- Report and assist with managing capital expenditure on projects as identified for IDP strategies
- Ensure key financial ratios of the Municipality are at expected levels and improving

The main objective of our Municipality however remains the effective service delivery to our constituents for which we must demonstrate good performance and continuous improvement in key areas of delivery as well as stewardship of all the assets entrusted to us.

### 2. PERFORMANCE

We have once again managed to increase our Revenue substantially by 18 % from R 1 171,8 m to R 1 384,6 m. However at the same time our operating cost increased significantly by 27% from R 1 109,9 m to R 1 412 m in the current year. The major contributors to the increase in operating costs are;

- Employee cost which increased by R43, 4m [17% yr/yr]
- An increase of R28, 9m in the bad debt provision [23% yr/yr]
- Repairs and Maintenance increased by R6.2(m) [13% yr/yr]
- Bulk electricity purchases that increased by R57, 2(m) [36% yr/yr] and;
- As a result of revaluing our infrastructure assets [see below], depreciation increased by R 90,2m [164% yr/yr]

During the year under review we revalued our infra-structure assets as is required for GRAP 17. We have also managed to account for the assets that were taken over in terms of the Ministerial determination per Government Gazette 25076, dated 13 June 2003. These transactions were implemented retrospectively for the 2008 2009 financial year. This resulted in a considerable revaluation surplus of R1 540, 9 (m). As a result the carrying value of our infrastructure assets increased from R613, 3(m) to a restated value of R2 154, 2(m) at 30 June 2009.

Further revaluations were made during the current financial year in to ensure that our assets are reflected at fair value as is required for GRAP 17. To this end we have adjusted the value of our portfolio of land and buildings with R62 (m).

Although a deficit is reported in our Statement of Performance, cash flow from operating activities increased from R 78, 6(m) to R 159, 3(m) during the current year. Our working capital position remains sound with our liquidity ratio at 1.3 (2009: 1.8) and in this regard the municipality will continue to manage its working capital in a prudent manner.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Financial report

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### 3. PERFORMANCE AGAINST BUDGET

The original budget for the year was approved during May 2009. During the reporting period an adjustment budget was presented and approved by Council. The 2009/10-budget provided for additional resources allocated towards the improvement of service delivery. Information on the original budget as well as the adjusted budget is included in this report as Appendix E.

We continue to improve our efforts to manage performance against budget and regard this as one of our key performance areas.

Our actual performance relative to the budget is still impacted by the effects of the recession and scale down of activity by some of the mines in our region. We are also seeing the effects of increased electricity tariffs and other cost increases on our financial performance.

### 4. STEWARDSHIP OVER ASSETS

During the year we have invested another R121, 3(m) in new infrastructure and other assets. This is supplemented with increased expenditure on maintenance of our assets. Our focus will continue to be to improve the infrastructure and facilities available for the residents of Matlosana. The challenges in this regard remain huge with many demands being made for the limited resources at our disposal and therefore we will continue to exercise prudent judgement when determining priorities for expenditure. Our goals and objectives in this regard are well documented in the Integrated Development Plan (IDP), which will continue to form the basis for future capital expenditure projects.

### 5. COMPLIANCE WITH LEGISLATION

The main pieces of legislation, being the Municipal Finance Management Act (MFMA) and Public Finance Management Act (PFMA) that controls financial management and accountability. We continue to make progress at Matlosana with the implementation of these Acts, as well as other directives and guidelines from regulatory authorities.

A continued effort is being made to ensure full compliance with all relevant legislation, including regulations for example those issued by National Treasury. To this end we have strengthened our internal audit capacity to identify areas of possible non-compliance make recommendations on corrective or preventive actions.

### 6. AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

The statutory audit of the financial statements has already commenced and is expected to be completed by the end of October 2010. In the past we have faced exceptional challenges resulting in a disclaimer of audit opinion by the Auditor General. A concerted effort has been made during the year to address the issues identified by the Auditor General in his report. These efforts will continue and will eventually strengthen our financial management practices and overall viability as a municipality. It is our aim to have an unqualified audit report before the target date of 2014.

### 7. GOING CONCERN

The financial position of the City has again improved since the previous year and although outstanding debtors are still a problem, it is managed so that the financial sustainability is not affected negatively. The accumulated provision for bad debts is sufficient to cover for possible bad debts, but the non-payment of services is hampering service delivery and construction of new infrastructure.

Notwithstanding the non-payment Matlosana can still be seen as a going concern and will also be a going concern for the foreseeable future.

# **City of Matlosana**

Annual Financial Statements for the year ended 30 June 2010

## **Financial report**

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### **8. EXPRESSION OF APPRECIATION**

I am grateful to the Executive Mayor, Mayoral Committee, Municipal Manager, Councillors and Departmental Directors for the support they have given to the department during the 2009/2010 financial year. A special word of appreciation is extended to the finance team for dedication to succeed in producing the Annual Financial Statements on time and in terms of the relevant accounting standards.

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**R.T. Makgale**  
**ACTING CHIEF FINANCIAL OFFICER**  
**31 August 2010**



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
<b>Assets</b>			
Current Assets			
Inventories	6	31 768 714	37 119 725
Other financial assets	4	73 181 026	82 382 668
Trade and other receivables	7	58 961 138	57 542 756
Consumer debtors	8	166 486 940	125 196 672
Other receivables	5	-	7 517 817
Cash and cash equivalents	9	2 394 287	2 434 568
		<b>332 792 105</b>	<b>312 194 206</b>
Non-Current Assets			
Investment property	2	5 403 557	5 403 557
Property, plant and equipment	3	2 509 104 550	2 416 728 915
Other financial assets	4	17 417 304	8 585 316
Other receivables	5	293 462	12 058 757
		<b>2 532 218 873</b>	<b>2 442 776 545</b>
<b>Total Assets</b>		<b>2 865 010 978</b>	<b>2 754 970 751</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	11	11 478 432	10 280 039
Trade and other payables from exchange transactions	15	78 776 376	47 091 474
VAT payable	16	31 045 806	16 443 511
Provisions	13	19 080 803	12 386 167
Consumer deposits	14	20 653 394	18 982 787
Bank overdraft	9	31 376 461	9 321 738
		<b>192 411 272</b>	<b>114 505 716</b>
Non-Current Liabilities			
Other financial liabilities	11	132 964 151	145 666 636
Unspent conditional grants and receipts	12	48 797 645	43 430 016
		<b>181 761 796</b>	<b>189 096 652</b>
<b>Total Liabilities</b>		<b>374 173 068</b>	<b>303 602 368</b>
<b>Net Assets</b>		<b>2 490 837 910</b>	<b>2 451 368 383</b>
<b>Net Assets</b>			
Reserves			
Housing development fund	10	5 125 928	5 125 928
Accumulated surplus		2 485 711 982	2 446 242 455
<b>Total Net Assets</b>		<b>2 490 837 910</b>	<b>2 451 368 383</b>

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Annual Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue	17	1 149 918 301	1 000 967 557
Other income		176 515 165	102 021 387
Operating expenses		(1 383 954 674)	(1 095 934 240)
<b>Operating (deficit) surplus</b>		<b>(57 521 208)</b>	<b>7 054 704</b>
Investment revenue	26	58 211 164	68 796 612
Finance costs	28	(15 357 960)	(16 330 417)
<b>(Deficit) surplus for the year</b>		<b>(14 668 004)</b>	<b>59 520 899</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Statement of Changes in Net Assets

	Housing development fund	Accumulated surplus	Total net assets
Figures in Rand			
<b>Balance at 01 July 2008</b>	<b>5 125 928</b>	<b>868 629 437</b>	<b>873 755 365</b>
Changes in net assets			
Revaluation of property, plant and equipment	- 1 510 869 242	1 510 869 242	
Previous year adjustment	- 9 525 299	9 525 299	
Asset disposals	- (2 302 422)	(2 302 422)	
Net income (losses) recognised directly in net assets	- 1 518 092 119	1 518 092 119	
Surplus for the year	- 59 520 899	59 520 899	
Total recognised income and expenses for the year	- 1 577 613 018	1 577 613 018	
Total changes	- 1 577 613 018	1 577 613 018	
<b>Balance at 01 July 2009</b>	<b>5 125 928</b>	<b>2 500 379 986</b>	<b>2 505 505 914</b>
Changes in net assets			
Surplus for the year	- (14 668 004)	(14 668 004)	
Total changes	- (14 668 004)	(14 668 004)	
<b>Balance at 30 June 2010</b>	<b>5 125 928</b>	<b>2 485 711 982</b>	<b>2 490 837 910</b>
Note(s)	10		

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Cash flow statement

Figures in Rand	Note(s)	2010	2009
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest income		58 211 164	68 791 691
Dividends received		-	4 921
		58 211 164	68 796 612
<b>Payments</b>			
Finance costs		(15 357 960)	(16 330 417)
Other cash item		116 436 354	25 406 167
		101 078 394	9 075 750
<b>Net cash flows from operating activities</b>	31	<b>159 289 558</b>	<b>77 872 362</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(183 424 897)	(188 353 654)
Proceeds from sale of property, plant and equipment	3	-	(79 826)
(Increase)/decrease in long-term receivables		369 654	10 295 987
(Increase)/decrease in non-current investments		-	135 989 648
(Increase)/decrease of other receivables		11 504 166	-
<b>Net cash flows from investing activities</b>		<b>(171 551 077)</b>	<b>(42 147 845)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(11 504 092)	(35 035 456)
Movement in consumer deposits		1 670 607	1 051 434
<b>Net cash flows from financing activities</b>		<b>(9 833 485)</b>	<b>(33 984 022)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(22 095 004)</b>	<b>1 740 495</b>
Cash and cash equivalents at the beginning of the year		(6 887 170)	(8 627 665)
<b>Cash and cash equivalents at the end of the year</b>	9	<b>(28 982 174)</b>	<b>(6 887 170)</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Specialised plant and machinery	5 to 15 years
Furniture and fittings	7 to 10 years
Other vehicles	3 to 20 years
Office equipment	5 to 10 years
Other items of plant and equipment	3 to 15 years
Roads and paving	10 to 30 years
Electricity	20 to 30 years
Wastewater network	15 to 20 years
Water network	15 to 20 years

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.4 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

#### Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.4 Financial instruments (continued)

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Derecognition

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

##### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefit to the municipality.

### 1.6 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality. The value of the Faan Meintjes Reserve stock is based on 100% of the current realisable value as at 30 June annually. Land development for re-sale within one year is classified as an inventory item. The value of the stands are calculated at: Councils resolution Rand per square metre or Municipal valuation.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.6 Inventories (continued)

the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.7 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

#### Medical aid : Continued members

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

### 1.8 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.8 Provisions and contingencies (continued)

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and bonus accrual based on the initial inception of service month.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

Landfill rehabilitation provision :

- the landfill rehabilitation provision is created for the rehabilitation of the current operational sites at the future estimated time of disclosure. The value of the provision is based on the expected cost to rehabilitate the sites provided by an expert.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

### 1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.9 Revenue from exchange transactions (continued)

recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.10 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.10 Revenue from non-exchange transactions (continued)

#### Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

#### Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### 1.11 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

### 1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance of section 15 or 11(3) and includes ::

- overspending of the total amount appropriated in the municipality's approved budget
- overspending of the total amount appropriated for a vote in the approved budget
- expenditure from a vote unrelated to the department or functional area covered by the vote
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation
- a grant by the municipality otherwise than in accordance with this Act

### 1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.17 Irregular expenditure

Irregular expenditure means -

- (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- (b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of the Act;
- (c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1988 (Act no 20 of 1998);
- (d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.17 Irregular expenditure (continued)

the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.19 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### 1.20 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

### 1.21 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.22 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

### 1.23 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

#### Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

### 1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that



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Annual Financial Statements for the year ended 30 June 2010

## Accounting Policies

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### 1.24 Conditional grants and receipts (continued)

the criteria, conditions or obligations have not been met a liability is recognised.

### 1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

### 1.26 Retirement benefits

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees:

- Municipal Employees Gratuity Fund
- Pension Fund for Municipal Councillors
- National Fund for Municipal Workers
- SALA Pension Fund
- SAMWU Provident Fund
- Municipal Employees Pension Fund

Actuarial valuations are done as follows:

- Municipal Employees Gratuity Fund - actuarial valuation is done every 2 years
- Pension Fund for Municipal Councillors - actuarial valuation is done every 3 years
- National Fund for Municipal Workers - not required to do actuarial valuation
- SALA Pension Fund - actuarial valuation is done every 3 years
- SAMWU Provident Fund - not required to do actuarial valuation
- Municipal Employees Pension Fund - actuarial valuation is done every 2 years

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

### 1.27 Going concern

These annual financial statements have been prepared on a going concern basis.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 2. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	5 403 557	-	5 403 557	5 403 557	-	5 403 557

#### Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	5 403 557	5 403 557

#### Reconciliation of investment property - 2009

	Opening balance	Total
Investment property	5 403 557	5 403 557

### 3. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	247 623 623	(36 026 433)	211 597 190	167 198 185	(32 036 945)	135 161 240
Infrastructure	2 678 065 374	(532 463 682)	2 145 601 692	2 556 757 947	(402 568 730)	2 154 189 217
Community	84 691 240	(28 804 295)	55 886 945	79 081 188	(26 182 030)	52 899 158
Other property, plant and equipment	542 559 332	(448 026 420)	94 532 912	240 540 968	(167 547 479)	72 993 489
Heritage assets	1 585 656	(99 845)	1 485 811	1 570 536	(84 725)	1 485 811
<b>Total</b>	<b>3 554 525 225</b>	<b>(1 045 420 675)</b>	<b>2 509 104 550</b>	<b>3 045 148 824</b>	<b>(628 419 909)</b>	<b>2 416 728 915</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Work in progress	Revaluations	Depreciation	Total
Buildings	135 161 240	13 487 978	5 021 636	61 916 473	(3 990 137)	211 597 190
Infrastructure	2 154 189 217	62 442 234	58 865 193	-	(129 894 952)	2 145 601 692
Community	52 899 158	2 033 477	3 576 576	-	(2 622 266)	55 886 945
Other property, plant and equipment	72 993 489	37 080 143	917 660	-	(16 458 380)	94 532 912
Heritage assets	1 485 811	-	-	-	-	1 485 811
	<b>2 416 728 915</b>	<b>115 043 832</b>	<b>68 381 065</b>	<b>61 916 473</b>	<b>(152 965 735)</b>	<b>2 509 104 550</b>

#### Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Buildings	119 605 294	18 960 097	-	-	(3 404 151)	135 161 240
Infrastructure	534 326 699	120 808 677	(2 302 422)	1 540 895 436	(39 539 173)	2 154 189 217
Community	49 355 624	5 979 826	-	-	(2 436 292)	52 899 158
Other property, plant and equipment	47 724 061	42 605 054	79 826	-	(17 415 452)	72 993 489
Heritage	1 485 811	-	-	-	-	1 485 811
	<b>752 497 489</b>	<b>188 353 654</b>	<b>(2 222 596)</b>	<b>1 540 895 436</b>	<b>(62 795 068)</b>	<b>2 416 728 915</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>4. Other financial assets</b>		
<b>Held to maturity</b>		
Call investment deposits	73 181 026	82 382 668
Fixed deposits	17 417 304	8 585 316
	<b>90 598 330</b>	<b>90 967 984</b>
<b>Non-current assets</b>		
Held to maturity	17 417 304	8 585 316
<b>Current assets</b>		
Held to maturity	73 181 026	82 382 668
	<b>90 598 330</b>	<b>90 967 984</b>
<b>Allocation of non-current portion external investments: In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:</b>		
Redemption of long-term liability (maturing June 2019)	7 751 917	7 751 917
Accumulated surplus/(deficit)	9 665 387	833 399
	<b>17 417 304</b>	<b>8 585 316</b>
<b>Allocation of current portion external investments: In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:</b>		
Unspent conditional grants and receipts	-	40 444 110
Housing Development Fund	5 125 928	5 125 928
Accumulated surplus/(deficit)	-	36 812 630
	<b>5 125 928</b>	<b>82 382 668</b>
<b>5. Other receivables</b>		
<b>Non-current portion</b>		
Bursary loans	-	118 327
Sport bodies	293 462	293 868
Sale of housing stands	-	1 694 939
Housing houses	-	9 951 623
<b>Current portion</b>		
Bursary loans	-	215 890
Abattoir	-	7 280 000
Sport bodies	-	18 529
High tension connections	-	3 398
	<b>293 462</b>	<b>19 576 574</b>

Sport bodies:

Different loan schemes are in place for various sporting bodies. The interest rate fluctuate between 5% to 15% repayable over a period from 5 years to 20 years. The MFMA also stopped this practice.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>6. Inventories</b>		
Consumable stores - at cost	25 135 024	30 741 006
Water - at last buying cost	2 554 669	2 166 544
Nature reserve - wildlife stock	3 329 214	3 626 113
Museum stores - at authorised value	102 036	161 091
Unsold properties held for resale at council resolution or municipal valuation	647 771	424 971
	<b>31 768 714</b>	<b>37 119 725</b>
Carrying value of inventories carried at fair value less costs to sell	647 771	424 971
<b>7. Trade and other receivables</b>		
Deposit - Petrol Twaranang	500	500
Deposit - Eskom	319 953	319 953
Insurance debtor	4 446 043	2 682 221
Housing debtors	(1 212 195)	3 255 715
Prepaid expenses	125 265	125 265
Fruitless and wasteful expenditure	161 958	161 958
Unauthorised expenditure	34 995	34 995
Receivables	6 293 242	7 430 045
Market	2 776 041	2 421 406
Housing (internal loan)	11 000 000	11 000 000
Housing rentals	17 917 800	17 917 800
Sundry debtors	102 878 854	92 523 219
Suspense accounts	3 800 863	4 354 100
Less: Provision for bad debt	(89 582 181)	(84 684 421)
	<b>58 961 138</b>	<b>57 542 756</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>8. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	175 375 500	118 607 875
Electricity	73 687 525	47 433 490
Water	157 030 835	125 993 612
Sewerage	67 207 029	58 395 310
Refuse	66 531 306	57 224 186
Other debtors	262 246 547	217 890 579
	<b>802 078 742</b>	<b>625 545 052</b>
<b>Less: Provision for debt impairment</b>		
Rates	(135 065 096)	(93 902 878)
Electricity	(43 348 736)	(25 852 741)
Water	(126 682 958)	(101 605 773)
Sewerage	(54 849 475)	(47 844 737)
Refuse	(55 465 948)	(47 769 957)
Other debtors	(220 179 589)	(183 372 294)
	<b>(635 591 802)</b>	<b>(500 348 380)</b>
<b>Net balance</b>		
Rates	40 310 404	24 704 997
Electricity	30 338 789	21 580 749
Water	30 347 877	24 387 839
Sewerage	12 357 554	10 550 573
Refuse	11 065 358	9 454 229
Other debtors	42 066 958	34 518 285
	<b>166 486 940</b>	<b>125 196 672</b>
<b>Rates</b>		
Current (0 -30 days)	15 100 503	8 951 462
31 - 60 days	7 542 659	4 090 498
61 - 90 days	5 985 018	2 766 115
90+ days	146 747 318	102 799 800
Provision for bad debt	(135 065 094)	(93 902 878)
	<b>40 310 404</b>	<b>24 704 997</b>
<b>Electricity</b>		
Current (0 -30 days)	19 692 256	14 604 742
31 - 60 days	4 405 926	3 297 311
61 - 90 days	3 204 176	1 813 881
90+ days	46 385 165	27 717 556
Provision for bad debt	(43 348 734)	(25 852 741)
	<b>30 338 789</b>	<b>21 580 749</b>
<b>Water</b>		
Current (0 -30 days)	9 161 698	7 569 327
31 - 60 days	5 314 452	3 909 485
61 - 90 days	4 040 641	3 643 868
90+ days	138 514 042	110 870 932
Provision for bad debt	(126 682 956)	(101 605 773)
	<b>30 347 877</b>	<b>24 387 839</b>
<b>Sewerage</b>		
Current (0 -30 days)	3 942 531	3 439 152
31 - 60 days	1 729 094	1 328 094

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>8. Consumer debtors (continued)</b>		
61 - 90 days	1 330 969	1 051 303
90+ days	60 204 434	52 576 761
Provision for bad debt	(54 849 474)	(47 844 737)
	<b>12 357 554</b>	<b>10 550 573</b>
<b>Refuse</b>		
Current (0 -30 days)	2 961 668	2 551 956
31 - 60 days	1 457 996	1 157 443
61 - 90 days	1 086 322	983 376
90+ days	61 025 319	52 531 411
Provision for bad debt	(55 465 947)	(47 769 957)
	<b>11 065 358</b>	<b>9 454 229</b>
<b>Other debtors</b>		
Current (0 -30 days)	9 255 818	7 463 030
31 - 60 days	6 057 582	4 748 575
61 - 90 days	5 150 613	4 346 954
90+ days	241 782 532	201 332 020
Provision for bad debt	(220 179 587)	(183 372 294)
	<b>42 066 958</b>	<b>34 518 285</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>8. Consumer debtors (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers and other</b>		
Current (0 -30 days)	50 908 487	39 218 185
31 - 60 days	23 348 802	17 447 759
61 - 90 days	18 465 527	14 026 024
90+ days	637 205 687	494 989 884
	<b>729 928 503</b>	<b>565 681 852</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	7 334 075	6 103 958
31 - 60 days	2 545 217	2 630 965
61 - 90 days	1 891 221	1 947 929
90+ days	52 919 339	44 669 687
	<b>64 689 852</b>	<b>55 352 539</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 871 912	1 173 405
31 - 60 days	613 690	370 713
61 - 90 days	440 991	229 681
90+ days	4 533 784	2 736 862
	<b>7 460 377</b>	<b>4 510 661</b>
<b>Total</b>		
Current (0 -30 days)	60 114 484	46 495 548
31 - 60 days	26 507 709	20 449 437
61 - 90 days	20 797 739	16 203 634
91 - 120 days	694 658 810	542 396 433
	802 078 742	625 545 052
Less: Provision for debt impairment	(635 591 802)	(500 348 380)
	<b>166 486 940</b>	<b>125 196 672</b>
<b>Less: Provision for debt impairment</b>		
90+ days	(635 591 802)	(500 348 380)
<b>Reconciliation of debt impairment provision</b>		
Balance at beginning of the year	(500 348 380)	(476 695 256)
Contributions to provision	(137 199 111)	(40 543 844)
Debt impairment written off against provision	1 955 689	16 890 720
	<b>(635 591 802)</b>	<b>(500 348 380)</b>



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	60 500	57 235
Bank balances	2 333 787	2 377 333
Bank overdraft	(31 376 461)	(9 321 738)
	<b>(28 982 174)</b>	<b>(6 887 170)</b>
Current assets	2 394 287	2 434 568
Current liabilities	(31 376 461)	(9 321 738)
	<b>(28 982 174)</b>	<b>(6 887 170)</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA BANK - cheque account - 4060008684	1 273 492	717 576	7 381 874	391 292	488 509	1 061 564
ABSA BANK - cheque account - 01000100176	(4 673 377)	26 787 113	50 333 230	(29 922 418)	(7 568 490)	(10 639 931)
ABSA BANK - cheque account - 950164379 (Stadsraad water)	2 011 587	1 962 116	1 701 951	1 942 496	1 888 824	1 694 394
ABSA BANK - cheque account - 950000090 (Market)	847 156	1 777 236	74 058	(1 454 043)	(1 750 836)	(800 514)
ABSA BANK - cheque account - 4059133084 (Mayor's golf day)	-	174	2 778	-	(2 413)	(2 413)
<b>Total</b>	<b>(541 142)</b>	<b>31 244 215</b>	<b>59 493 891</b>	<b>(29 042 673)</b>	<b>(6 944 406)</b>	<b>(8 686 900)</b>

### 10. Housing development fund

Surplus	5 125 928	5 125 928
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The housing development fund is represented by the following assets and liabilities:

Bank and cash	5 125 928	5 125 928
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### 11. Other financial liabilities

#### Held at amortised cost

Annuity loans	115 338 113	125 920 477
DKKDM Asset's loans	29 104 470	30 026 198
	<b>144 442 583</b>	<b>155 946 675</b>

Refer to Appendix A for more detail on long-term liabilities.

#### Non-current liabilities

At amortised cost	132 964 151	145 666 636
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#### Current liabilities

At amortised cost	11 478 432	10 280 039
	<b>144 442 583</b>	<b>155 946 675</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Provincial Health Subsidies	(11 123 608)	(5 774 453)
District Municipality Environmental	-	62 541
MIG Grants	30 169 476	25 714 240
Provincial LED Projects	5 183	5 184
Provincial Capital Grants	20 928 938	18 242 938
National Electricity Regulator	3 839 051	345 490
Finance Management Grant	765 356	200 821
Department of Water Affairs	276 464	1 500 000
Provincial Government Grants	2 645 072	2 645 072
Provincial Operational Grants	204 017	63 032
Anglo Gold Ashanti Capital Grants	-	278 935
Development Bank of South Africa	146 216	146 216
EPWP Funding	250 700	-
Municipal System Improvement Grant	690 780	-
	<b>48 797 645</b>	<b>43 430 016</b>

See note 20 for reconciliation of grants from National/Provincial Government.

## 13. Provisions

### Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Other provisions	12 386 167	6 694 636	19 080 803

### Reconciliation of provisions - 2009

	Opening Balance	Expenditure incurred	Total
Staff leave	8 884 528	3 501 639	12 386 167

Redemption of leave during the financial period under review was R 2,929,760 (2009: R 1,863,399).

## 14. Consumer deposits

Electricity and water	20 653 394	18 982 787
<b>Guarantees held:</b>		
In lieu of electricity and water deposits	1 926 198	1 926 198
In lieu of debtors for the Fresh Produce Market	400 000	400 000
	<b>2 326 198</b>	<b>2 326 198</b>

## 15. Trade and other payables from exchange transactions

Trade payables	1 213 900	84 934
Payments received in advanced	38 424 351	16 336 352
Other creditors	35 605 538	26 385 833
Suspense accounts	3 532 587	4 284 355
	<b>78 776 376</b>	<b>47 091 474</b>

Included in other creditors is retention money of R 18,765,766 (2009: R 15,012,890).

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 16. VAT payable

VAT payable	31 045 806	16 443 511
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VAT is payable on the cash basis.

### 17. Revenue

Administration fees	(260 406)	1 746 120
Property rates	222 191 171	130 747 800
Service charges	581 385 898	491 499 399
Rental of facilities & equipment	7 025 754	6 002 706
Fines	6 220 373	5 918 332
Licences and permits	4 471 090	4 203 022
Government grants & subsidies	317 994 170	350 110 270
Market dues	10 890 251	10 739 908
	<b>1 149 918 301</b>	<b>1 000 967 557</b>

#### The amount included in revenue arising from exchanges of goods or services are as follows:

Administration fees	(260 406)	1 746 120
Service charges	581 385 898	491 499 399
Rental of facilities & equipment	7 025 754	6 002 706
Licences and permits	4 471 090	4 203 022
	<b>592 622 336</b>	<b>503 451 247</b>

#### The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	222 191 171	130 747 800
Fines	6 220 373	5 918 332
Government grants & subsidies	317 994 170	350 110 270
Market dues	10 890 251	10 739 908
	<b>557 295 965</b>	<b>497 516 310</b>

### 18. Property rates

#### Rates received

Residential and commercial	188 141 741	109 770 209
State	14 860 867	3 172 219
Indigent	19 150 462	17 769 755
Sundry debtors	38 101	35 617
	<b>222 191 171</b>	<b>130 747 800</b>

#### Valuations - R'000

Residential and commercial	29 399 639	641 763
Agricultural	182 908	56 872
State	481 872	18 790
Municipal and farms	1 262 138	349 748
	<b>31 326 557</b>	<b>1 067 173</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. The valuations were done by DDP Valuers on behalf of the Municipality.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>19. Service charges</b>		
Sale of electricity	362 269 211	283 166 644
Sale of water	130 299 556	125 069 043
Sewerage and sanitation charges	25 301 594	21 896 127
Refuse removal	63 515 537	61 367 585
	<b>581 385 898</b>	<b>491 499 399</b>

## 20. Government grants and subsidies

Equitable share	226 271 000	172 771 264
Cultural events	50 000	-
Anglo Gold Ashanti Capital assets grants	-	278 935
Provincial Operational Grants	309 123	8 233 451
District Municipality Environmental Health	62 541	4 315 789
Development Bank of South Africa	-	146 216
Finance Management Grant	440 076	437 358
MIG Grant	84 698 275	111 355 459
Provincial Health Subsidies	5 349 155	5 774 453
Provincial capital grants	814 000	46 797 345
	<b>317 994 170</b>	<b>350 110 270</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 162.77 (2009: R 158.49), which is funded from the grant.

### Cultural events

Current-year receipts	50 000	-
Conditions met - transferred to revenue	(50 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 12)

### Provincial Health Subsidies

Balance unspent at beginning of year	(5 774 453)	-
Conditions met - transferred to revenue	(5 349 155)	(5 774 453)
	<b>(11 123 608)</b>	<b>(5 774 453)</b>

Conditions still to be met - remain liabilities (see note 12)

The Municipality primary renders health services on behalf of the Provincial Government and is refundable.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>20. Government grants and subsidies (continued)</b>		
<b>District Municipality - operational grant</b>		
Balance unspent at beginning of year	62 541	(2 752 968)
Current-year receipts	-	4 315 789
Conditions met - transferred to revenue	(62 541)	(1 500 280)
	-	<b>62 541</b>

Conditions still to be met - remain liabilities (see note 12)

The grant received from the District Municipality to render services on behalf of the District Municipality and is refunded for incurred expenses. The conditions of the grant have been met. No funds have been withheld.

### MIG Grant

Balance unspent at beginning of year	25 714 240	35 333 395
Current-year receipts	84 623 537	-
Conditions met - transferred to revenue	(80 168 301)	(9 619 155)
	<b>30 169 476</b>	<b>25 714 240</b>

Conditions still to be met - remain liabilities (see note 12)

This grant was used to construct roads, storm water, streetlights, sewerage and water infrastructure as part of the upgrading of informal settlement areas (included in the roads and sewerage votes in Appendix B). No funds have been withheld. Funds include R 23,200,000 (2009: R 10,172,000) received for 2010/2011 financial year for National Budget.

### Provincial LED Projects

Balance unspent at beginning of year	5 184	668 010
Conditions met - transferred to revenue	(1)	(662 826)
	<b>5 183</b>	<b>5 184</b>

Conditions still to be met - remain liabilities (see note 12)

The Provincial LED projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent according to an approved business plan by the Provincial Government. No funds have been withheld.

### Provincial Capital Grants

Balance unspent at beginning of year	18 242 938	58 865 407
Current-year receipts	3 500 000	46 797 345
Conditions met - transferred to revenue	(814 000)	(87 419 814)
	<b>20 928 938</b>	<b>18 242 938</b>

Conditions still to be met - remain liabilities (see note 12)

These grants are used for public transport integrated funds received from the Department of Roads and Public Works and the Department of Public Safety for fire services. No funds have been withheld.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 20. Government grants and subsidies (continued)

#### National Electricity Regulator

Balance unspent at beginning of year	345 490	345 490
Current-year receipts	6 800 000	-
Conditions met - transferred to revenue	(3 306 439)	-
	<b>3 839 051</b>	<b>345 490</b>

Conditions still to be met - remain liabilities (see note 12)

This grant is used for electrification for Jouberton Extension 24 RDP houses. The grant is spent accordance with a business plan approved by the N.E.R. No funds have been withheld.

#### Finance Management Grant

Balance unspent at beginning of year	200 821	726 106
Current-year receipts	750 000	437 358
Conditions met - transferred to revenue	(185 465)	(962 643)
	<b>765 356</b>	<b>200 821</b>

Conditions still to be met - remain liabilities (see note 12)

This grant is used to support the municipality with National Treasury budget and financial reforms. The grant is spent in accordance with the guidelines of the National Treasury. No funds have been withheld.

#### Department of Water Affairs

Balance unspent at beginning of year	1 500 000	608 600
Current-year receipts	-	891 400
Conditions met - transferred to revenue	(1 223 536)	-
	<b>276 464</b>	<b>1 500 000</b>

Conditions still to be met - remain liabilities (see note 12)

The grant is used to support the Municipality to relief drought. The grant is spent in accordance with the guidelines of the Department of Water Affairs. No funds have been withheld.

#### Provincial Government Grants

Balance unspent at beginning of year	2 645 072	3 239 569
Conditions met - transferred to revenue	-	(594 497)
	<b>2 645 072</b>	<b>2 645 072</b>

Conditions still to be met - remain liabilities (see note 12)

The grant is used to support the Municipality with the development of the museum. The grant is spent in accordance with the guidelines of the Provincial Government. No funds have been withheld.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>20. Government grants and subsidies (continued)</b>		
<b>Provincial Operational Grants</b>		
Balance unspent at beginning of year	63 032	(8 170 419)
Current-year receipts	450 108	8 233 451
Conditions met - transferred to revenue	(309 123)	-
	<b>204 017</b>	<b>63 032</b>

Conditions still to be met - remain liabilities (see note 12)

The grant received from the Department of Sports, Arts and Culture for improvement of library services. No funds have been withheld.

### Development Bank of South Africa

Balance unspent at beginning of year	146 216	-
Current-year receipts	-	146 216
	<b>146 216</b>	<b>146 216</b>

Conditions still to be met - remain liabilities (see note 12)

This grant was used for a feasibility study of an aerodrome.

### EPWP Funding

Current-year receipts	250 700	-
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Conditions still to be met - remain liabilities (see note 12)

This is an incentive grant received from the Department of Public Works through its Expanded Public Works Programme initiative.

## 21. Other revenue

Transfer from reserves and funds	132 336 284	62 543 796
Provincial Government commission on licenses	9 062 014	8 687 663
Job costing	770 858	1 501 718
Sale of stands	-	1 061 785
Commissions on services rendered	342 062	614 180
Seta training	1 581 988	967 916
Legal costs	859 088	920 091
Provincial Government Motors Direct	15 142	5 015
Other non material income	29 231 053	23 253 011
Fees parking	193 597	153 727
Fees ripe and cool	299 821	317 549
Fees burial	850 063	822 687
Connections	959 665	1 147 133
Revaluation of shares	13 530	25 116
	<b>176 515 165</b>	<b>102 021 387</b>

The basis of greater than R 500,000 and disclosure i.t.o. GRAP 1 were used to indicate the breakdown of other income.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>22. General expenses</b>		
Assessment rates & municipal charges	2 397 660	2 351 077
Consumables	2 344 829	2 862 656
Debt collection	7 894 146	8 282 418
Insurance	2 488 453	1 680 325
Consultants	2 028 682	967 341
Hire computer equipment	1 513 521	996 875
Motor vehicle expenses	19 641 750	18 454 614
Postage and courier	2 549 716	2 261 805
Printing and stationery	3 411 499	2 489 799
Security (Guarding of municipal property)	4 247 052	4 242 060
Telephone and fax	4 839 689	3 606 558
Other miscellaneous	229 766 308	187 444 047
Free basic services	68 179 016	59 802 887
Levy skills development	2 139 972	1 886 882
Long-term liability: District Municipality	4 154 335	6 087 177
Mayor's special projects	-	113 056
Meter readings	4 928 242	4 366 238
	<b>362 524 870</b>	<b>307 895 815</b>



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>23. Employee related costs (excluding directors)</b>		
Basic	202 924 729	177 809 368
Travel and motor car allowances	4 661 206	4 771 247
Overtime payments	16 248 906	13 288 805
Housing benefits and allowances	1 663 110	2 109 700
Employee related costs - contributions for pensions, UIF, group insurance and medical aids	65 081 053	49 595 651
	<b>290 579 004</b>	<b>247 574 771</b>

### Remuneration of municipal manager

Annual Remuneration	1 029 338	978 431
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### Remuneration of chief finance officer

Annual Remuneration	825 081	778 898
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### Director municipal & social services: Section 57 appointment

Annual Remuneration	825 081	778 898
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### Director corporate services & governance: Section 57 appointment

Annual Remuneration	825 081	766 165
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### Director economic development & procurement: Section 57 appointment

Annual Remuneration	761 613	692 235
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### Manager: support services

Annual Remuneration	571 210	516 232
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### Director infrastructure & utilities: Section 57 appointment

Annual Remuneration	814 926	778 898
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## 24. Remuneration of councillors

Executive Major	610 535	570 581
Mayoral Committee Members	4 313 164	4 219 628
Speaker	478 140	446 844
Councillors	9 060 872	8 232 134
	<b>14 462 711</b>	<b>13 469 187</b>

### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

## 25. Debt impairment

Debts impaired	154 100 204	125 227 465
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# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>26. Investment revenue</b>		
<b>Dividend revenue</b>		
Dividends received	-	4 921
<b>Interest revenue</b>		
Bank	3 136 054	6 847 030
Interest charged on trade and other receivables	44 396 097	43 560 113
Interest on investments	10 679 013	18 384 548
	<b>58 211 164</b>	<b>68 791 691</b>
	<b>58 211 164</b>	<b>68 796 612</b>
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	152 965 736	62 795 068
<b>28. Finance costs</b>		
Long-term borrowings	15 357 960	16 330 417
Interest was paid to lenders as indicated in Appendix A.		
<b>29. Contracted services</b>		
Other Contractors	21 380 156	22 502 302
<b>30. Bulk purchases</b>		
Electricity	214 931 280	157 756 492
Water	112 492 492	102 429 319
	<b>327 423 772</b>	<b>260 185 811</b>

Electricity and water are supplied by Eskom and Midvaal Water Company. Residence of Hartbeesfontein are supplied with water purchased from a private individual.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>31. Cash generated from operations</b>		
(Deficit) surplus	(14 668 004)	59 520 899
<b>Adjustments for:</b>		
Depreciation and amortisation	152 965 736	62 795 068
Gain on sale of assets and liabilities	-	2 302 422
Debt impairment	154 100 204	125 227 465
Movements in provisions	6 694 636	3 501 639
<b>Changes in working capital:</b>		
Inventories	5 351 011	(10 113 711)
Trade and other receivables	(1 418 382)	67 107 255
Consumer debtors	(195 390 472)	(190 227 024)
Trade and other payables from exchange transactions	31 684 905	5 900 277
VAT	14 602 295	(3 336 972)
Unspent conditional grants and receipts	5 367 629	(44 804 956)
	<b>159 289 558</b>	<b>77 872 362</b>
<b>32. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Commitments in respect of capital expenditure (approved and contracted for):</b>		
• Infrastructure	35 641 738	110 327 210
• Community	9 841 621	7 917 210
• Other	7 636 050	10 826 010
	<b>53 119 409</b>	<b>129 070 430</b>
<b>This expenditure will be financed from:</b>		
• External loans	-	17 083 070
• Capital replacement reserve	-	45 525 870
• Government grants	53 119 409	66 461 490
	<b>53 119 409</b>	<b>129 070 430</b>
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due on hire of photostat machines and vehicles</b>		
- within one year	3 289 138	5 579 977
- in second to fifth year inclusive	3 662 788	9 807 304
	<b>6 951 926</b>	<b>15 387 281</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties and vehicles. Leases are negotiated for an average term of five years.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>33. Contingencies</b>		
<b>Contingent assets</b>		
<b>City of Matlosana / St Paul's Insurance Company</b>		
A claim by Council for the payment of suretyshil and guarantees for work not completed by DGD Construction in Kanana.	2 200 000	2 200 000
<b>City of Matlosana / Cybed Trading 0005CC</b>		
Legal action instituted by Council against defendant for arrear debt.	12 000	16 514
<b>City of Matlosana / J Fouche</b>		
Matter proceeds on an opposed basis regarding compliance with regulations.	150 000	150 000
<b>City of Matlosana / G Wessie</b>		
Claim by council against a former employee for equipment not yet returned.	2 300	2 300
<b>City of Matlosana / ZCM Britz</b>		
The Council is claiming from defendant for loss of income. Further investigations are in progress.	61 688	12 000
<b>34. Related parties</b>		
<b>Relationships</b>		
Councillor	I. Bondes	
Councillor	M.C. Dithejane	
<b>Related party transactions</b>		
<b>Purchases from (sales to) related parties</b>		
Councillor I. Bondes	3 739 321	-
Councillor M.C. Dithejane	3 456 482	-
Bulk water is purchased from the section 21 company Midvaal Water for the year under review. The following Councillors are members of the executive authority of the Midvaal Water Company G.L. Sevuasengwe; O.R. Thabanchu; J. Douw.		
<b>35. Prior period errors</b>		
Income from the grant Provincial Health Services incurred during the previous financial year was brought into account.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of financial position</b>		
Unspent conditional grants and receipts	-	5 774 453
<b>Statement of financial performance</b>		
Revenue: Government grants and subsidies	-	(5 774 453)
<b>36. Unauthorised expenditure</b>		
Unauthorised expenditure awaiting authorization	34 995	34 995

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 37. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure was condoned on 31/08/2010. - 4 056 958

### 38. Irregular expenditure

Opening balance	-	26 939 994
Less: Amounts condoned and repaid by Council	-	(26 939 994)
	-	-

It emanates from an external loan which was acquired without following all necessary processes. A report will be submitted to Council for the change and approval. No criminal procedures will be needed as the institution agreed to cancel the loan.

### 39. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

No contributions were received or repaid during the year under review.

#### Audit fees

Current year subscription / fee	1 769 045	2 380 408
Amount paid - current year	(1 769 045)	(2 380 408)
	-	-

#### PAYE and UIF

Opening balance	-	183 865
Current year subscription / fee	23 099 509	23 010 265
Amount paid - current year	(23 099 509)	(23 010 265)
Amount paid - previous years	-	(183 865)
	-	-

#### Pension and Medical Aid Deductions

Opening balance	-	5 290 938
Current year subscription / fee	66 529 098	65 948 799
Amount paid - current year	(66 529 098)	(65 948 799)
Amount paid - previous years	-	(5 290 938)
	-	-

#### VAT

VAT payable	31 045 806	16 443 511
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VAT output payables and VAT input receivables are shown in note 16.

All VAT returns have been submitted by the due date throughout the year.

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 39. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TD Mogale	2 188	12 028	14 216
Councillor Sithole	-	9 092	9 092
	<b>2 188</b>	<b>21 120</b>	<b>23 308</b>

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor J Koen	3 744	421	4 165
Councillor H Moleme	13 004	1 675	14 679
	<b>16 748</b>	<b>2 096</b>	<b>18 844</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2010	Highest outstanding amount	Aging (in days)
Councillor TD Mogale	12 028	90
Councillor Sithole	9 092	90
	<b>21 120</b>	<b>180</b>

30 June 2009	Highest outstanding amount	Aging (in days)
Councillor J Koen	1 375	30
Councillor H Moleme	9 464	30
	<b>10 839</b>	<b>60</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Department		
Corporate	196 000	-
Infrastructure and utility	1 637 385	-
	<b>1 833 385</b>	<b>-</b>

# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
<b>40. Utilisation of Long-term liabilities reconciliation</b>		
Long-term liabilities raised	144 442 583	155 946 675
Cash set aside for the repayment of long-term liabilities	144 442 583	155 946 675
	-	(7 751 917)
	<b>144 442 583</b>	<b>148 194 758</b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 41. Contingent liabilities

#### North West Security Services t/a Cetronic Security Services / City of Matlosana

A contract was cancelled with Cetronic Services. The claim against council is for services delivered after cancellation date.

	91 000	91 000
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#### Diggers Development / City of Matlosana, Valuation Board and City Valuers

The Claimant sued Council for expenditure they allegedly incurred during Valuation Board sittings.

	15 000	15 000
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#### Theron Jordaan & Smit / City of Matlosana

This was an application by the claimant, a firm of attorneys, to be reinstated on the panel by council. There is also a counter action by council for files retained by the firm.

	21 084	200 000
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#### Klerksdorp Vulstasie and another / City of Matlosana

A claim for damages resulting from alleged negligence was instituted against council.

	-	12 000
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#### Francis Behr / City of Matlosana

Mr. Behr claimed against the Council for not transferring Erf 3141 Orkney Extension 2 into his name as he paid an amount of R 13 500.

	13 500	13 500
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#### S Pillay / City of Matlosana

Me. Shalin Pillay instituted legal action Council for damages suffered.

	210 000	109 000
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#### Minister Of Safety & Security / City of Matlosana

A summon was brought against the Council by the Minister of Safety & Security, claiming money from the Council for a motor vehicle accident.

	5 264	5 264
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#### Betty Manisa / City of Matlosana

Me. Betty Manisa claim from Council for services rendered during 2007.

	22 200	22 200
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#### ME Motuang / City of Matlosana

ME Motuang had summons issued and served for personal injury. The plaintiff apparently stepped into an open manhole and was injured and incurred damages as a result of loss of income.

	150 000	-
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#### SJ Motors / City of Matlosana

A summons was brought against the council for the amount of R 29 212.57. SJ Motors is claiming money from the Council for repair fee.

	29 213	-
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#### Mojo's Tent Hiring & Enterprise CC / City of Matlosana

A letter of demand was sent to the council for payment.

	1 132 800	-
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# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Notes to the Annual Financial Statements

Figures in Rand	2010	2009
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### 42. Retirement benefit information

An amount of R 38,887,166 (2009: R 33,712,989) was contributed by Council in respect of councillor and employees retirement funding. These contributions have been expenses.

Certain employees were prevented from joining Council's retirement funds. In terms of Council's employment policies, an obligation to provide pensions exists. These amounts are expensed on payment.



# City of Matlosana

Annual Financial Statements for the year ended 30 June 2010

## Detailed Income statement

Figures in Rand	Note(s)	2010	2009
<b>Revenue</b>			
Administration fees		(260 406)	1 746 120
Property rates	18	222 191 171	130 747 800
Service charges	19	581 385 898	491 499 399
Rental of facilities and equipment		7 025 754	6 002 706
Fines		6 220 373	5 918 332
Licences and permits		4 471 090	4 203 022
Government grants & subsidies	20	317 994 170	350 110 270
Market dues		10 890 251	10 739 908
Transfer from reserves and funds		132 336 284	62 543 796
Provincial Government commission on licenses		9 062 014	8 687 663
Job costing		770 858	1 501 718
Sale of stands		-	1 061 785
Commission on services rendered		342 062	614 180
Seta training, legal costs and Provincial Government Motors Direct		2 456 218	1 893 022
Other non material income		29 231 053	23 253 011
Fee parking		193 597	153 727
Fees ripe and cool		299 821	317 549
Fees burial		850 063	822 687
Connections		959 665	1 147 133
Revaluation of shares		13 530	25 116
Interest received - investment	26	58 211 164	68 791 691
Dividends received	26	-	4 921
<b>Total Revenue</b>		<b>1 384 644 630</b>	<b>1 171 785 556</b>
<b>Expenditure</b>			
Personnel	23	(296 231 334)	(252 864 528)
Remuneration of councillors	24	(14 462 711)	(13 469 187)
Depreciation and amortisation	27	(152 965 736)	(62 795 068)
Finance costs	28	(15 357 960)	(16 330 417)
Debt impairment	25	(154 100 204)	(125 227 465)
Repairs and maintenance		(54 865 891)	(48 691 642)
Bulk purchases	30	(327 423 772)	(260 185 811)
Contracted services	29	(21 380 156)	(22 502 302)
General expenses	22	(362 524 870)	(307 895 815)
<b>Total Expenditure</b>		<b>(1 399 312 634)</b>	<b>(1 109 962 235)</b>
Loss on disposal of assets and liabilities		-	(2 302 422)
<b>(Deficit) surplus for the year</b>		<b>(14 668 004)</b>	<b>59 520 899</b>

The supplementary information presented does not form part of the annual financial statements and is unaudited

## Appendix A

### Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Balance at 30 June 2010
		Rand	Rand	Rand	Rand

#### Annuity loans

Development Bank of SA @ 12%	JBC09588	30-Sep-2014	20 826 549	-	2 848 010	17 978 539
Development Bank of SA @ 15%	NW10959	30-Sep-2017	5 629 105	-	362 616	5 266 489
Development Bank of SA @ 15.25%	NW11182	30-Sep-2018	6 139 508	-	320 384	5 819 124
Development Bank of SA @ 15.6%	NW13637	30-Sep-2020	3 539 399	-	124 375	3 415 024
Development Bank of SA @ prime	NW13874/1	30-Sep-2019	5 555 556	-	555 556	5 000 000
Development Bank of SA @ prime + 1.5%	NW13874/2	30-Jun-2019	14 998 125	-	-	14 998 125
Development Bank of SA @ 11.5%	100395	30-Jun-2013	8 667 924	-	1 818 900	6 849 024
Development Bank of SA @ 11.2%	101297/1	30-Jun-2019	23 145 429	-	1 351 932	21 793 497
Development Bank of SA @ 11.2%	101297/2	30-Jun-2019	28 962 211	-	1 691 693	27 270 518
INCA @ 12.25%	KLER-00-001	31-Dec-2013	8 456 671	-	1 508 899	6 947 772
			<b>125 920 477</b>	<b>-</b>	<b>10 582 365</b>	<b>115 338 112</b>

#### Annuity loans

125 920 477	-	10 582 365	115 338 112
<b>125 920 477</b>	<b>-</b>	<b>10 582 365</b>	<b>115 338 112</b>

## Appendix B

Analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	44 685 527	-	-	-	61 916 473	-	106 602 000	(2 007 857)	-	-	-	-	(2 007 857)	104 594 143
Buildings (Separate for AFS purposes)	122 512 658	13 487 978	(650)	-	-	5 021 637	141 021 623	(30 029 088)	650	-	(3 990 137)	-	(34 018 575)	107 003 048
	<b>167 198 185</b>	<b>13 487 978</b>	<b>(650)</b>	<b>-</b>	<b>61 916 473</b>	<b>5 021 637</b>	<b>247 623 623</b>	<b>(32 036 945)</b>	<b>650</b>	<b>-</b>	<b>(3 990 137)</b>	<b>-</b>	<b>(36 026 432)</b>	<b>211 597 191</b>
<b>Infrastructure</b>														
Roads and stormwater	241 605 520	19 135 083	-	-	601 952 983	28 134 082	890 827 668	(72 666 740)	-	-	(68 707 204)	-	(141 373 944)	749 453 724
Electricity networks	172 741 664	6 937 299	-	-	93 195 909	3 456 159	276 331 031	(69 301 860)	-	-	(8 403 569)	-	(77 705 429)	198 625 602
Sewerage networks	269 368 986	10 681 756	-	-	323 872 602	4 125 194	608 048 538	(48 896 041)	-	-	(27 388 069)	-	(76 284 110)	531 764 428
Taxiways	5 377 731	1 798 784	-	-	-	-	7 176 515	(1 459 869)	-	-	(257 750)	-	(1 717 619)	5 458 896
Water networks	126 706 011	16 257 008	-	-	343 729 634	16 394 403	503 087 056	(42 515 695)	-	-	(22 425 368)	-	(64 941 063)	438 145 993
Side walks	34 194 902	10 307 883	-	-	177 954 182	3 790 217	226 247 184	(3 538 108)	-	-	(1 906 312)	-	(5 444 420)	220 802 764
Security systems	8 569 996	392 555	-	-	190 125	-	9 152 676	(6 892 715)	-	-	(806 680)	-	(7 699 395)	1 453 281
	<b>858 564 810</b>	<b>65 510 368</b>	<b>-</b>	<b>-</b>	<b>1 540 895 435</b>	<b>55 900 055</b>	<b>2 520 870 668</b>	<b>(245 271 028)</b>	<b>-</b>	<b>-</b>	<b>(129 894 952)</b>	<b>-</b>	<b>(375 165 980)</b>	<b>2 145 704 688</b>
<b>Community Assets</b>														
Buildings	63 774 544	1 101 984	-	-	-	3 576 577	68 453 105	(19 655 833)	-	-	(1 916 865)	-	(21 572 698)	46 880 407
Parks and Recreation	15 306 644	931 490	-	-	-	-	16 238 134	(6 526 197)	-	-	(705 401)	-	(7 231 598)	9 006 536
	<b>79 081 188</b>	<b>2 033 474</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 576 577</b>	<b>84 691 239</b>	<b>(26 182 030)</b>	<b>-</b>	<b>-</b>	<b>(2 622 266)</b>	<b>-</b>	<b>(28 804 296)</b>	<b>55 886 943</b>

Buildings	63 774 544	1 101 984	-	-	-	3 576 577	68 453 105	(19 655 833)	-	-	(1 916 865)	-	(21 572 698)	46 880 407
Parks and Recreation	15 306 644	931 490	-	-	-	-	16 238 134	(6 526 197)	-	-	(705 401)	-	(7 231 598)	9 006 536
	<b>79 081 188</b>	<b>2 033 474</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 576 577</b>	<b>84 691 239</b>	<b>(26 182 030)</b>	<b>-</b>	<b>-</b>	<b>(2 622 266)</b>	<b>-</b>	<b>(28 804 296)</b>	<b>55 886 943</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2010

#### Cost/Revaluation      Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Museum	242 838	-	-	-	-	-	242 838	(84 725)	-	-	-	-	(84 725)	158 113
Statues	244 963	-	-	-	-	-	244 963	-	-	-	-	-	-	244 963
Historical buildings	713 407	-	-	-	-	-	713 407	-	-	-	-	-	-	713 407
Historical sites	19 591	-	-	-	-	-	19 591	-	-	-	-	-	-	19 591
Paintings	349 736	-	-	-	-	-	349 736	-	-	-	-	-	-	349 736
<b>1 570 535</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 570 535</b>	<b>(84 725)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(84 725)</b>	<b>1 485 810</b>
<b>Other assets</b>														
General vehicles	76 743 225	18 592 528	(985)	-	-	814 000	96 148 768	(51 549 348)	985	-	(3 734 555)	-	(55 282 918)	40 865 850
Furniture & Fittings	27 714 987	1 439 767	(630 498)	-	-	-	28 524 256	(25 116 381)	630 498	-	(1 047 949)	-	(25 533 832)	2 990 424
Office Equipment	27 975 905	4 091 692	(155 556)	-	-	-	31 912 041	(19 309 161)	155 556	-	(3 115 919)	-	(22 269 524)	9 642 517
Bins and Containers	8 786 934	954 728	-	-	-	-	9 741 662	(5 416 721)	-	-	(805 498)	-	(6 222 219)	3 519 443
Emergency equipment	1 433 522	-	(5 010)	-	-	-	1 428 512	(480 935)	5 010	-	(97 550)	-	(573 475)	855 037
Watercraft	7 432	-	-	-	-	-	7 432	(3 963)	-	-	(495)	-	(4 458)	2 974
Plant and Equipment	97 878 962	11 898 433	(109 898)	-	-	103 660	109 771 157	(65 670 968)	109 898	-	(7 656 414)	-	(73 217 484)	36 553 673
<b>240 540 967</b>	<b>36 977 148</b>	<b>(901 947)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>917 660</b>	<b>277 533 828</b>	<b>(167 547 477)</b>	<b>901 947</b>	<b>-</b>	<b>(16 458 380)</b>	<b>-</b>	<b>(183 103 910)</b>	<b>94 429 918</b>
<b>Total property plant and equipment</b>														
Land and buildings	167 198 185	13 487 978	(650)	-	61 916 473	5 021 637	247 623 623	(32 036 945)	650	-	(3 990 137)	-	(36 026 432)	211 597 191
Infrastructure	858 564 810	65 510 368	-	-	1 540 895 435	55 900 055	2 520 870 668	(245 271 028)	-	-	(129 894 952)	-	(375 165 980)	2 145 704 688
Community Assets	79 081 188	2 033 474	-	-	-	3 576 577	84 691 239	(26 182 030)	-	-	(2 622 266)	-	(28 804 296)	55 886 943
Heritage assets	1 570 535	-	-	-	-	-	1 570 535	(84 725)	-	-	-	-	(84 725)	1 485 810
Other assets	240 540 967	36 977 148	(901 947)	-	-	917 660	277 533 828	(167 547 477)	901 947	-	(16 458 380)	-	(183 103 910)	94 429 918
<b>1 346 955 685</b>	<b>118 008 968</b>	<b>(902 597)</b>	<b>-</b>	<b>1 602 811 908</b>	<b>65 415 929</b>	<b>3 132 289 893</b>	<b>(471 122 205)</b>	<b>902 597</b>	<b>-</b>	<b>-</b>	<b>(152 965 735)</b>	<b>-</b>	<b>(623 185 343)</b>	<b>2 509 104 550</b>
<b>Investment properties</b>														
Investment property	5 403 557	-	-	-	-	-	5 403 557	-	-	-	-	-	-	5 403 557
<b>5 403 557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 403 557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 403 557</b>
<b>Total</b>														
Land and buildings	167 198 185	13 487 978	(650)	-	61 916 473	5 021 637	247 623 623	(32 036 945)	650	-	(3 990 137)	-	(36 026 432)	211 597 191
Infrastructure	858 564 810	65 510 368	-	-	1 540 895 435	55 900 055	2 520 870 668	(245 271 028)	-	-	(129 894 952)	-	(375 165 980)	2 145 704 688
Community Assets	79 081 188	2 033 474	-	-	-	3 576 577	84 691 239	(26 182 030)	-	-	(2 622 266)	-	(28 804 296)	55 886 943
Heritage assets	1 570 535	-	-	-	-	-	1 570 535	(84 725)	-	-	-	-	(84 725)	1 485 810
Other assets	240 540 967	36 977 148	(901 947)	-	-	917 660	277 533 828	(167 547 477)	901 947	-	(16 458 380)	-	(183 103 910)	94 429 918
Investment properties	5 403 557	-	-	-	-	-	5 403 557	-	-	-	-	-	-	5 403 557
<b>1 352 359 242</b>	<b>118 008 968</b>	<b>(902 597)</b>	<b>-</b>	<b>1 602 811 908</b>	<b>65 415 929</b>	<b>3 137 693 450</b>	<b>(471 122 205)</b>	<b>902 597</b>	<b>-</b>	<b>-</b>	<b>(152 965 735)</b>	<b>-</b>	<b>(623 185 343)</b>	<b>2 514 508 107</b>

## Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment deficit  Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Health/Clinics	6 447 570	-	(21 075)	-	-	-	6 426 495	(5 347 165)	21 075	-	(71 395)	-	(5 397 485)	1 029 010
Community Services	132 928 042	4 534 612	(109 119)	-	-	3 397 515	140 751 050	(81 357 767)	141 576	-	(9 100 108)	-	(90 316 299)	50 434 751
Housing	24 475 032	115 851	(22 994)	-	-	-	24 567 889	(3 635 341)	20 969	-	(675 653)	-	(4 290 025)	20 277 864
Public Safety	49 499 483	6 892 292	(163 738)	-	-	814 000	57 042 037	(22 859 487)	163 738	-	(3 265 077)	-	(25 960 826)	31 081 211
Council General Expenses	7 743 368	21 694 516	(28 896)	-	-	751 345	30 160 333	(2 644 995)	28 896	-	(987 977)	-	(3 604 076)	26 556 257
City Civil Engineer	783 152 182	66 534 839	(102 288)	-	1 509 616 000	54 919 552	2 414 120 285	(205 461 851)	102 660	-	(124 052 987)	-	(329 412 178)	2 084 708 107
City Electrical Engineer	247 544 917	8 310 833	(51 912)	-	93 195 909	5 533 518	354 533 265	(102 702 068)	26 105	-	(9 899 350)	-	(112 575 313)	241 957 952
Corporate Services	43 416 693	3 148 025	(236 850)	-	-	-	46 327 868	(22 340 495)	234 268	-	(1 810 933)	-	(23 917 160)	22 410 708
Financial Services	23 268 758	5 732 121	(149 207)	-	-	-	28 851 672	(12 576 404)	146 791	-	(1 628 331)	-	(14 057 844)	14 793 728
Market	30 361 389	426 673	(3 540)	-	-	-	30 784 522	(11 338 343)	3 540	-	(1 216 307)	-	(12 551 110)	18 233 412
Local Economic Dev & Procurement	3 521 809	619 208	(12 980)	-	-	-	4 128 037	(858 290)	12 980	-	(257 619)	-	(1 102 929)	3 025 108
	<b>1 352 359 243</b>	<b>118 008 970</b>	<b>(902 599)</b>	<b>-</b>	<b>1 602 811 909</b>	<b>65 415 930</b>	<b>3 137 693 453</b>	<b>(471 122 206)</b>	<b>902 598</b>	<b>-</b>	<b>(152 965 737)</b>	<b>-</b>	<b>(623 185 345)</b>	<b>2 514 508 108</b>
<b>Total</b>														
Municipality	1 352 359 243	118 008 970	(902 599)	-	1 602 811 909	65 415 930	3 137 693 453	(471 122 206)	902 598	-	(152 965 737)	-	(623 185 345)	2 514 508 108
	<b>1 352 359 243</b>	<b>118 008 970</b>	<b>(902 599)</b>	<b>-</b>	<b>1 602 811 909</b>	<b>65 415 930</b>	<b>3 137 693 453</b>	<b>(471 122 206)</b>	<b>902 598</b>	<b>-</b>	<b>(152 965 737)</b>	<b>-</b>	<b>(623 185 345)</b>	<b>2 514 508 108</b>

## Appendix D

### Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
9 178 845	64 990 423	(55 811 578)	Executive & Council/Mayor and Council	4 841 708	86 878 097	(82 036 389)
320 044 870	87 091 631	232 953 239	Finance & Admin/Finance	617 584 518	249 975 562	367 608 956
2 409 509	12 623 004	(10 213 495)	Planning and Development/Economic Development/Plan	(1 750)	13 993 508	(13 995 258)
6 040 121	7 107 008	(1 066 887)	Health/Clinics	298 301	7 779 154	(7 480 853)
91 312 427	131 294 910	(39 982 483)	Comm. & Social/Libraries and archives	106 478 219	138 612 964	(32 134 745)
3 024 869	9 219 019	(6 194 150)	Housing	2 865 457	11 551 116	(8 685 659)
66 391 173	99 598 542	(33 207 369)	Public Safety/Police	22 292 066	142 068 939	(119 776 873)
230 613 436	333 378 548	(102 765 112)	Road Transport/Roads	264 834 701	401 924 950	(137 090 249)
256 984 258	229 910 688	27 073 570	Electricity /Electricity Distribution	338 820 365	295 125 415	43 694 950
13 205 897	33 526 828	(20 320 931)	Other/Air Transport	14 742 075	39 404 900	(24 662 825)
<b>999 205 405</b>	<b>1 008 740 601</b>	<b>(9 535 196)</b>		<b>1 372 755 660</b>	<b>1 387 314 605</b>	<b>(14 558 945)</b>
<b>Municipal Owned Entities Other charges</b>						
9 167 948	9 278 959	(111 011)		11 888 970	11 998 029	(109 059)
<b>9 167 948</b>	<b>9 278 959</b>	<b>(111 011)</b>		<b>11 888 970</b>	<b>11 998 029</b>	<b>(109 059)</b>
999 205 405	1 008 740 601	(9 535 196)	Municipality	1 372 755 660	1 387 314 605	(14 558 945)
9 167 948	9 278 959	(111 011)	Other charges	11 888 970	11 998 029	(109 059)
<b>1 008 373 353</b>	<b>1 018 019 560</b>	<b>(9 646 207)</b>	<b>Total</b>	<b>1 384 644 630</b>	<b>1 399 312 634</b>	<b>(14 668 004)</b>

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand	Var
Revenue				
Administration fees	(260 406)	2 125 920	(2 386 326)	(112,2)
Property rates	222 191 171	152 150 780	70 040 391	46,0
Service charges	581 385 898	639 125 802	(57 739 904)	(9,0)
Rental of facilities and equipment	7 025 754	6 337 090	688 664	10,9
Fines	6 220 373	10 727 920	(4 507 547)	(42,0)
Licences and permits	4 471 090	3 714 370	756 720	20,4
Government grants & subsidies	317 994 170	319 981 430	(1 987 260)	(0,6)
Market dues	10 890 251	10 951 600	(61 349)	(0,6)
Other income	176 515 165	286 236 842	(109 721 677)	(38,3)
Interest received - investment	58 211 164	62 316 270	(4 105 106)	(6,6)
	1 384 644 630	1 493 668 024	(109 023 394)	(7,3)
Expenses				
Personnel	(296 231 334)	(301 975 206)	5 743 872	(1,9)
Remuneration of councillors	(14 462 711)	(16 078 960)	1 616 249	(10,1)
Depreciation	(152 965 736)	(71 848 002)	(81 117 734)	112,9
Finance costs	(15 357 960)	(20 212 270)	4 854 310	(24,0)
Debt impairment	(154 100 204)	(9 130 981)	(144 969 223)	1 587,7
Collection costs	(7 894 146)	(7 911 870)	17 724	(0,2)
Repairs and maintenance - General	(54 865 891)	(57 731 978)	2 866 087	(5,0)
Bulk purchases	(327 423 772)	(323 590 230)	(3 833 542)	1,2
Contracted Services	(21 380 156)	(21 431 440)	51 284	(0,2)
General Expenses	(354 630 724)	(576 518 354)	221 887 630	(38,5)
	(1 399 312 634)	(1 406 429 291)	7 116 657	(0,5)
Other revenue and costs				
	-	-	-	-
Net surplus/ (deficit) for the year	(14 668 004)	87 238 733	(101 906 737)	(116,8)

## Appendix E(2)

### Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
<b>Municipality</b>					
Buildings	18 509 615	39 248 110	20 738 495	<b>53</b>	
Electricity networks	10 393 459	47 569 880	37 176 421	<b>78</b>	
Roads and stormwater	47 269 165	89 767 867	42 498 702	<b>47</b>	
Water networks	32 651 411	58 989 293	26 337 882	<b>45</b>	
Sewerage networks	14 806 951	19 744 002	4 937 051	<b>25</b>	
Side walks	14 098 101	27 445 884	13 347 783	<b>49</b>	
Taxiways	1 798 784	1 800 000	1 216	-	
Security systems	392 555	426 000	33 445	<b>8</b>	
Community : Buildings	4 678 561	14 996 824	10 318 263	<b>69</b>	
Parks and recreation	931 490	1 160 000	228 510	<b>20</b>	
Office equipment	4 091 692	6 984 720	2 893 028	<b>41</b>	
Furniture	1 439 767	1 890 900	451 133	<b>24</b>	
Containers	954 728	1 217 940	263 212	<b>22</b>	
Emergency vehicles	19 406 528	23 589 150	4 182 622	<b>18</b>	
Plant and equipment	12 002 093	22 874 630	10 872 537	<b>48</b>	
	<b>183 424 900</b>	<b>357 705 200</b>	<b>174 280 300</b>	<b>49</b>	



**Appendix F**
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 ( R ' 000 )**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
MIG	Treasury	30 897	22 264	8 263	23 200	24 111	28 327	17 368	10 362		Yes	
FMG	Treasury	750	-	-	-	124	83	45	137		Yes	
Drought relief	Water affairs	-	-	-	-	194	-	515	515		Yes	
DME	NER	-	-	6 800	-	-	95	1 345	1 867		Yes	
Fire Services	Public safety	-	3 500	-	-	-	-	814	-		Yes	
		-	-	-	-	-	-	-	-			
		31 647	25 764	15 063	23 200	24 429	28 505	20 087	12 881			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.